

## **The TAC Universal System Benefits Program Fund Subcommittee 2001-2002 Draft Work Plan**

### **Background:**

The 1997 Legislature, in enacting the Electric Utility Industry Restructuring and Customer Choice Act (EUIRCCA), established universal system benefits programs (USBP). In order to ensure continued funding of USBP, the Legislature required that annually, beginning January 1, 1999, each utility/cooperative must contribute 2.4% of its 1995 retail sales revenue, which is established for each utility and cooperative as its annual USBP funding level. A utility's or cooperative's minimum annual funding requirement for low-income energy and weatherization assistance is established at 17% of the utility's or cooperative's annual USBP funding level.

The USBP costs are recovered through a USBP charge assessed at the meter for each local utility system customer. The USBP funding mechanism must remain in effect until December 31, 2005. EUIRCCA provides for utility, cooperative, and large customer credits against their contributions to the USBP fund, and cooperatives may collectively pool their statewide credits.

The purpose of the USBP fund, according to EUIRCCA, is "to ensure continued funding of and new expenditures for energy conservation, renewable resource projects and applications, energy conservation measures for irrigated agriculture, and low-income energy assistance during the transition period and into the future". USBP are those public purpose programs that include:

- ? cost-effective local energy conservation
- ? low-income customer weatherization
- ? reducing energy costs of irrigated agriculture in Montana through conservation and efficiency measures
- ? renewable resource projects and applications, including those that capture unique social and energy system benefits or provide transmission and distribution system benefits
- ? research and development programs for energy conservation and renewables
- ? market transformation to encourage competitive markets for public purpose programs
- ? low-income energy assistance

Under EUIRCCA, the Transition Advisory Committee (TAC) is required to make recommendations before July 1, 2002, to the 2003 Legislature regarding the ongoing need of USBP and annual funding requirements. TAC is also required to monitor and evaluate USBP and comparable levels of funding for the region and make recommendations to the 2003 Legislature to adjust those funding levels to coincide with the region.

At its November 16, 2001, meeting, the TAC established the USBP Subcommittee. The charge of the Subcommittee is to analyze the ongoing need of USBP and comparable funding issues and make recommendations to the full TAC in order to fulfill the TAC's statutory requirements.

#### **TAC USBP Fund Statutory Directives :**

As provided in 69-8-501(14) and (15), MCA:

**(14) The transition advisory committee shall monitor and evaluate the universal system benefits programs and comparable levels of funding for the region and make recommendations to the 58th legislature to adjust the funding level provided for in 69-8-402 to coincide with the related activities of the region at that time.**

**(15) On or before July 1, 2002, the transition advisory committee, in coordination with the [public service] commission, shall conduct a reevaluation of the ongoing need for universal system benefits programs and annual funding requirements and shall make recommendations to the 58th legislature regarding the future need for those programs. The determination must focus specifically on the existence of markets to provide for any or all of the universal system benefits programs or whether other means for funding those programs have developed. These recommendations may also address how future reevaluations will be provided for, if necessary.**

#### **Suggested Subcommittee Information Needs:**

In order to make recommendations regarding the above USBP statutory directives, the Subcommittee needs the following information:

1. An overview of USBP in Montana that addresses the following questions:
  - a. What are universal system benefits programs?
  - b. Why did Montana create a funding mechanism for USBP in 1997?
  - c. What is the total amount of money expended each year on USBP?
  - d. How is the money allocated among universal system benefits programs and what is that allocation?
  - e. Who implements the USBP in Montana?
2. An overview on the implementation of the USBP by the following entities:
  - a. Montana Power Company
  - b. Montana Dakota Utility
  - c. Montana Electric Cooperatives

- d. Large Customers
- e. Department of Revenue

3. An overview of the low-income energy assistance universal system benefits programs administered by the Department of Health and Human Services, Energy Share, and local resource development councils that answers the following questions:
  - a. Who contributes to low-income energy assistance programs?
  - b. How much money per year is contributed or allocated to low-income energy assistance programs in Montana?
  - c. How many people receive benefits from low-income energy assistance programs each year?
  - d. How is eligibility for low-income energy assistance determined?
4. A report on conservation and renewable universal system benefits programs that answers the following questions:
  - a. How much money per year is allocated to conservation and renewable USBP per year?
  - b. How are conservation and renewable USBP revenues allocated in Montana?
  - c. Who receives the money that is allocated to conservation and renewable USBP?
  - d. Has Montana benefitted from its conservation and renewable USBP investments? If so, how has the state benefitted?
5. A report from the National Conference of State Legislatures on how other states in the region are funding USBP that answers the following questions:
  - a. What are the USBP funding levels in other states?
  - b. How do other state funding levels in the region compare to Montana?
  - c. Are there alternative funding mechanisms that other states have employed that may be applicable in Montana?
6. A report on whether markets exist in Montana to provide for any or all of the universal system benefits programs or whether other means of funding those programs have developed.
7. A review of any proposed federal legislation as it relates to USBP.
8. Public Service Commission (PSC) report on transition plan issues as they relate to USBP funding.

9. Other information?

**Suggested Work Plan and Meeting Dates:**

Due to the statutory time constraints requiring the TAC to make recommendations on or before July 1, 2002, staff recommends the following meeting and schedule agenda topics:

**Friday, January 25, 2002:** (Conference Call)

1. Review draft agenda for February 14, 2002, Subcommittee Meeting
2. Review draft Subcommittee work plan.
3. Instructions to staff.

**Thursday, February 14, 2002:** (Helena)

1. Review and adoption of draft Subcommittee work plan.
2. An overview of USBP in Montana.
3. An overview on the implementation of the USBP in Montana.
4. An overview of the low-income energy assistance universal system benefits programs.
5. A report on conservation and renewable universal system benefits programs in Montana.
6. A report from the National Conference of State Legislatures on how other states in the region are funding USBP.

**Friday, March 22, 2002:** (Helena)

1. A panel discussion on whether markets exist in Montana to provide for any or all of the universal system benefits programs or whether other means for funding those programs have developed.
2. A review of any proposed federal legislation as it relates to USBP.

3. Public Service Commission (PSC) report on transition plan issues as they relate to USBP funding.
4. Other information?
5. Subcommittee formulation of draft recommendation.

**Thursday, April 18, 2002:** (location to be decided)

1. Other information?
2. Subcommittee formulation of draft recommendation continued.
3. Final wrap-up of recommendations to be presented to the TAC on Friday, April 19, 2002.

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